

# **ATTACHMENT A**



# Dr. Jonathan Walker

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## Cross Examination

# Summary Of Opinions

- 1 The conspiracy Plaintiffs alleged would be unlikely to reduce supply or raise prices
- 2 Production and pricing data indicate there was no effective conspiracy to reduce supply and raise prices
- 3 Dr. Baye's analysis is flawed and invalid
- 4 Plaintiffs have not demonstrated that egg product prices were higher than they should have been

# No Opinion Whether...

- Was there a conspiracy to restrain the supply of eggs & artificially increase egg prices?
  - No opinion
- Did any individual producer conspire to restrict egg supply to raise prices?
  - No opinion
- Did early slaughter, early molt, and hatch reduction programs reduce the supply of eggs and artificially inflated prices
  - No opinion

# No Opinion Whether...

- Was the 100% rule in the UEP Certified Program created to restrict egg supply?
  - No opinion
- Was the backfilling ban added to the UEP Certified Program to restrict supply?
  - No opinion

# Built an Econometric Regression Model?



**YES**



**NO**

# No Limits On Expansion Or Growth

*UNITED EGG PRODUCERS  
ANIMAL HUSBANDRY  
GUIDELINES FOR*



*U.S. EGG  
LAYING FLOCKS  
2002 EDITION*

FMI-000171

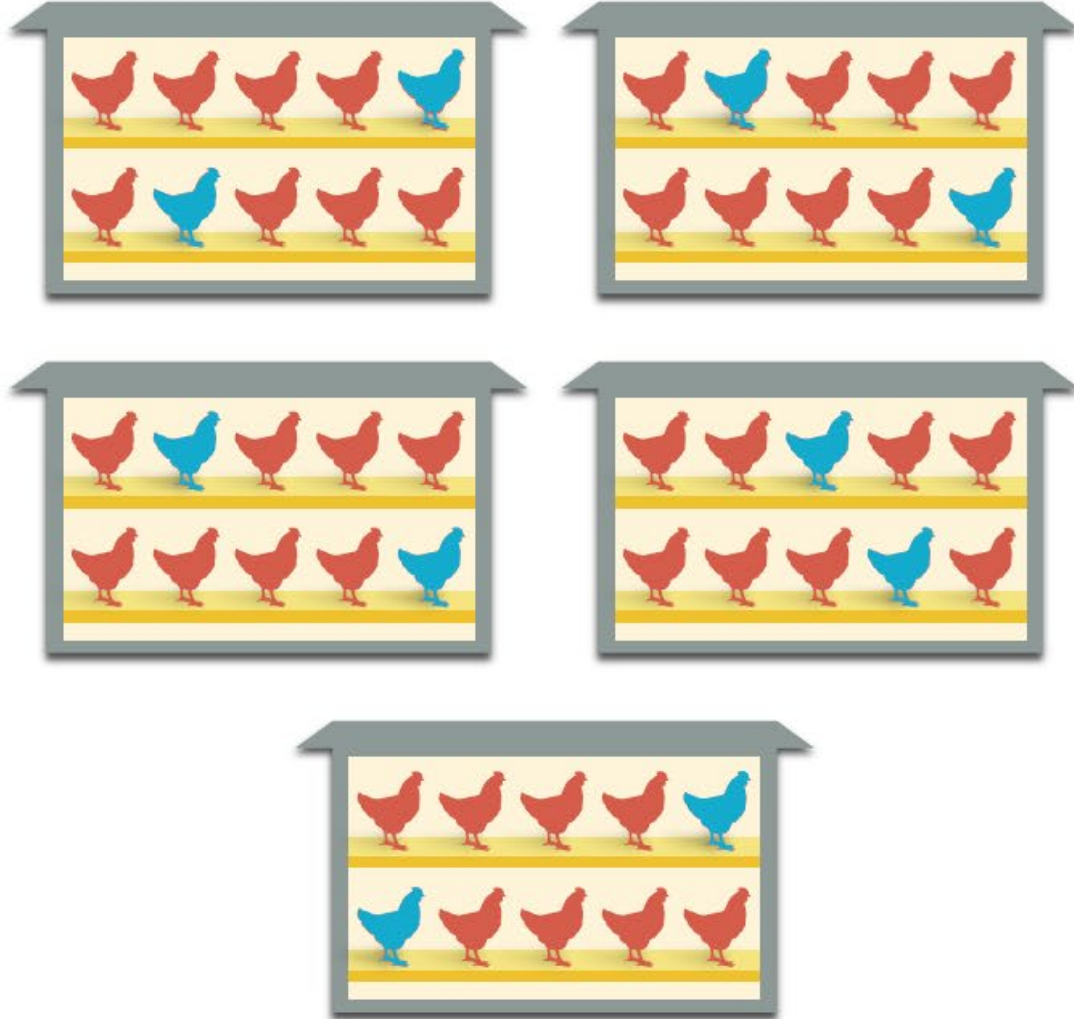
D-0217-001

- ✗ No limits on hens
- ✗ No limits on eggs
- ✗ No limits on cages
- ✗ No limits on houses
- ✗ No limits on farms

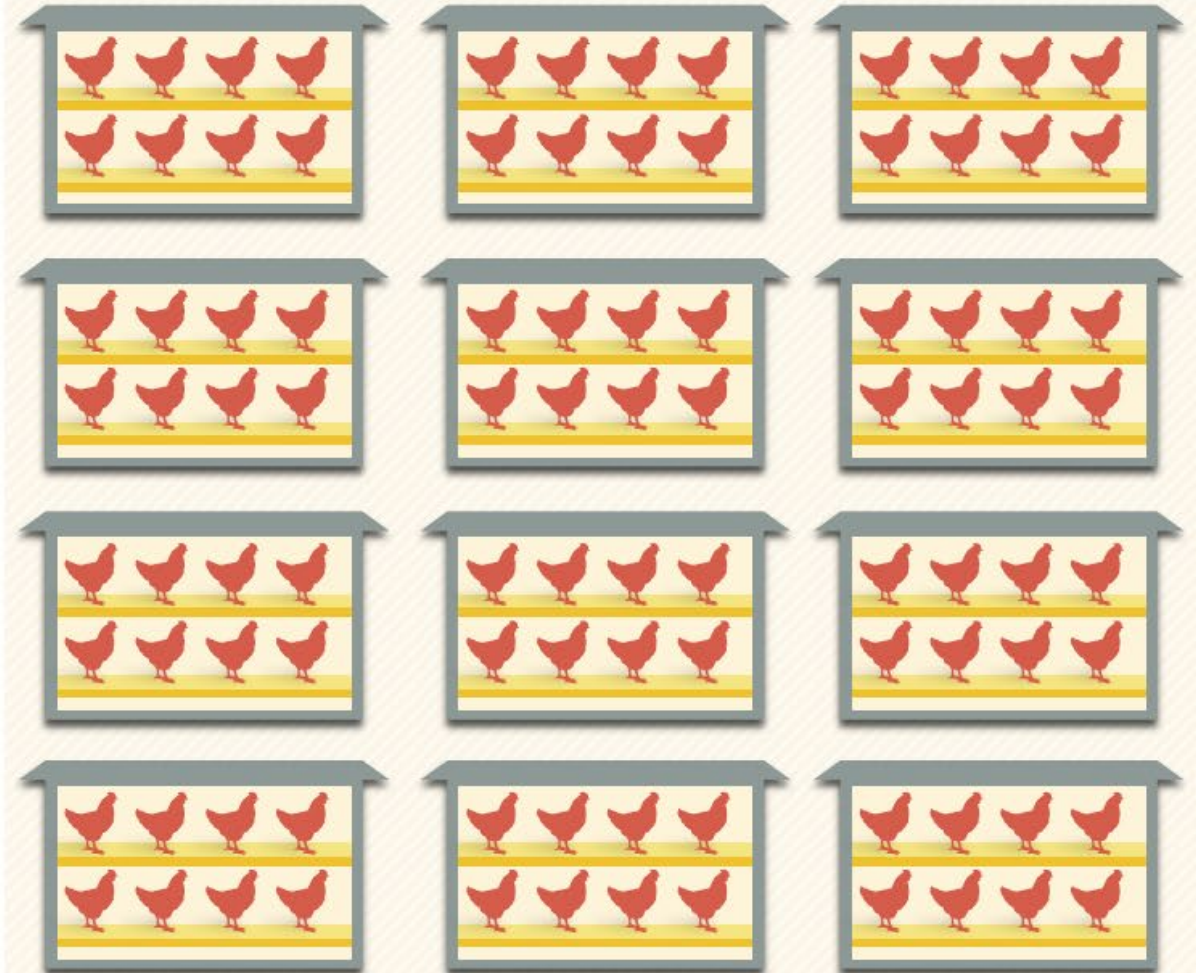


# No Limits On Expansion, Hens Or Production

## PLAINTIFFS' THEORY:



## THE REALITY:





# Examples Of Expansion & Entry



+3.9M capacity  
from 2002-2012  
(excluding  
acquisitions)



Sponsored  
expansion to  
facilitate  
compliance with  
McDonald's  
animal welfare  
standards



Sponsors new  
entrants and  
expansion with  
purchase  
commitments



Started in 2000  
from zero



Expanded  
consistently

At least  
+8.3M capacity  
from 2002-2012  
(excluding  
acquisitions)



# Acquisitions

Fiscal Year	Seller	Location	Layers Acquired
<del>1989</del>	<del>Egg City, Inc.</del>	<del>Arkansas</del>	<del>1,300,000</del>
<del>1990</del>	<del>Sunny Fresh Foods, Inc.</del>		<del>7,300,000</del>
<del>1991</del>	<del>Sunnyside Eggs, Inc.</del>	<del>North Carolina</del>	<del>1,800,000</del>
<del>1994</del>	<del>Wayne Dotling Farms</del>	<del>Ohio</del>	<del>1,500,000</del>
<del>1995</del>	<del>A &amp; G Farms</del>	<del>Kentucky</del>	<del>1,000,000</del>
<del>1997</del>	<del>Sunbest Farms</del>	<del>Arkansas</del>	<del>600,000</del>
<del>1997</del>	<del>Southern Empire Egg Farm, Inc.</del>	<del>Georgia</del>	<del>1,200,000</del>
<del>1998</del>	<del>J &amp; S Farms/Savannah Valley</del>	<del>Georgia</del>	<del>300,000</del>
<del>1999</del>	<del>Hudson Brothers, Inc.</del>	<del>Kentucky</del>	<del>1,200,000</del>
<del>2000</del>	<del>Smith Farms</del>	<del>Texas/Arkansas</del>	<del>3,300,000</del>
2006	Hillandale	Florida/Alabama	5,900,000
2007	Green Forest Foods	Arkansas	1,000,000
2007	Benton County Foods	Arkansas	1,000,000
2008	Zephyr Egg	Florida	2,200,000
2008	Tampa Farm Service	Florida	4,000,000
2012	Pilgrim Egg	Texas	1,600,000
<del>2013</del>	<del>Maxin Egg</del>	<del>Texas</del>	<del>2,200,000</del>
Total			39,900,000



*- Nichols contract cage free  
400,000*

Ex. 0686 Pg. 0001

# Examples Of Expansion & Entry



+3.9M capacity  
from 2002-2012  
(excluding  
acquisitions)



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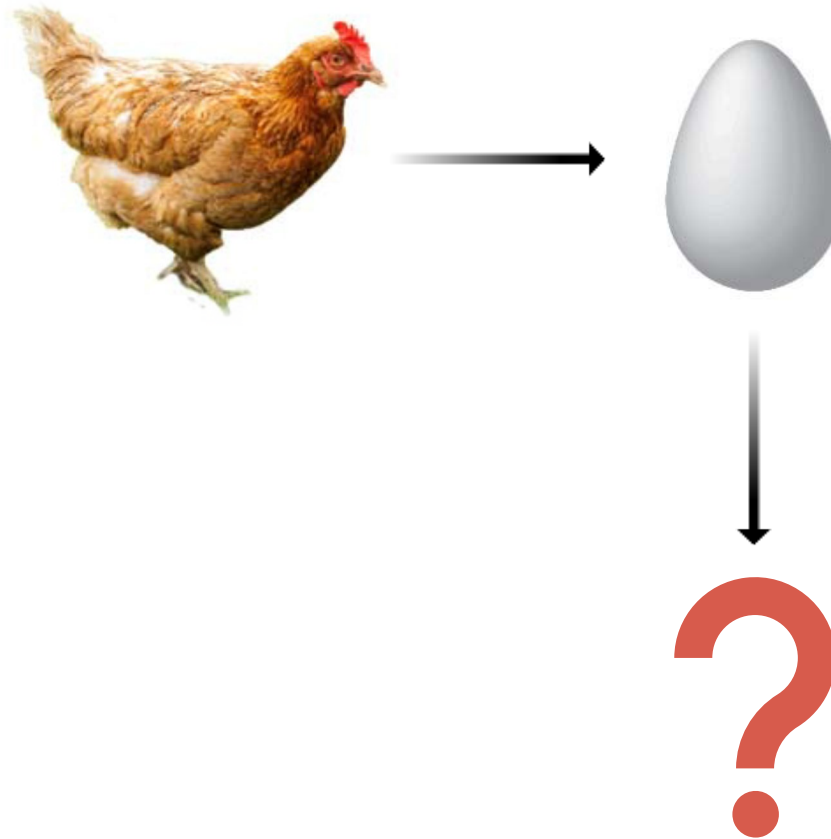
Started in 2000  
from zero



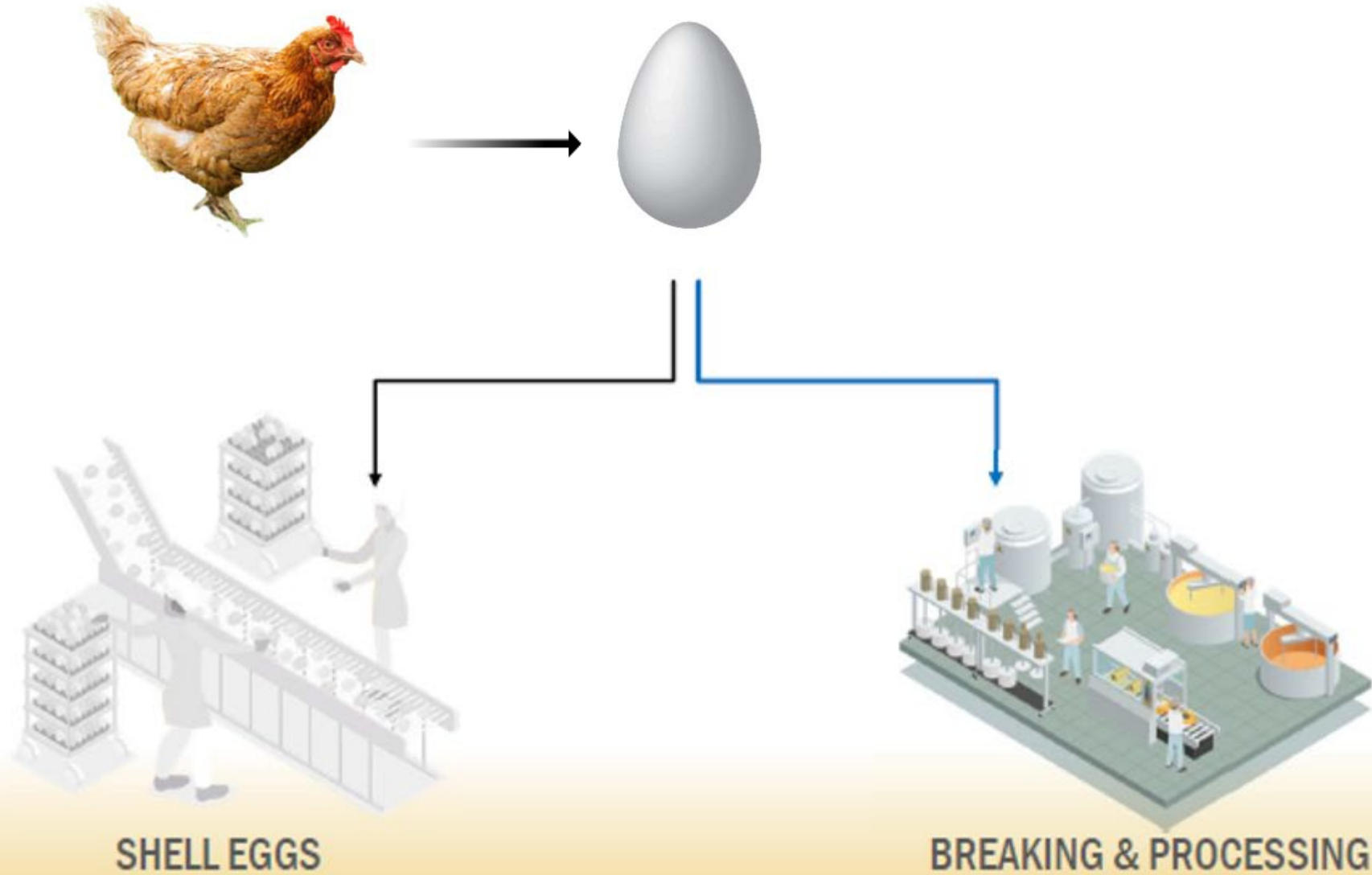
Expanded  
consistently

At least  
+8.3M capacity  
from 2002-2012  
(excluding  
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# Relevant Product Market

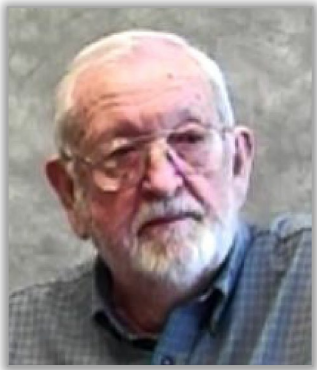


# Relevant Product Market





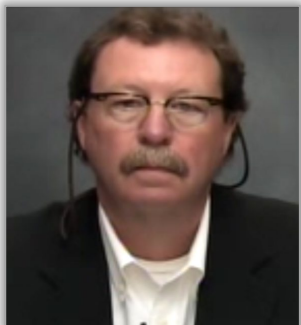
# Is an Egg an Egg?



“An egg is an egg is an egg!”



“An egg is an egg.”



“An egg is an egg.”



No opinion



# Fewer Eggs Produced Does Not Mean Fewer Eggs Going To Egg Products


## 300 Eggs Produced

**150**  Shell eggs

**50**  Exports

**100**  Egg products

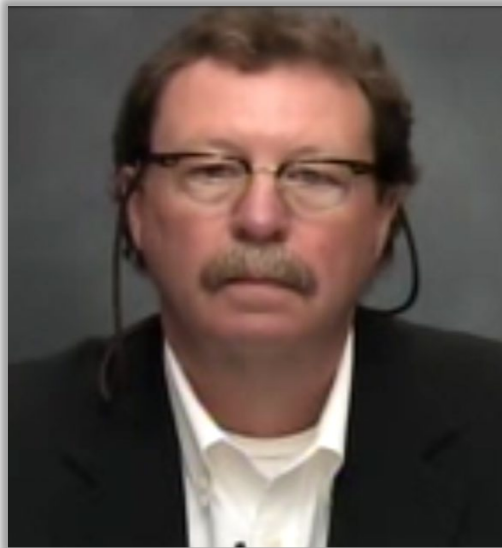
## 250 Eggs Produced

**125**  Shell eggs

**25**  Exports

**100**  Egg products

# Fewer Shell Eggs Means Higher Egg Product Prices



Q. And the fewer eggs in the U.S. market, the higher both shell eggs and egg products are on the Urner Barry system, correct?

A. Correct.

# Appropriate Benchmark Periods

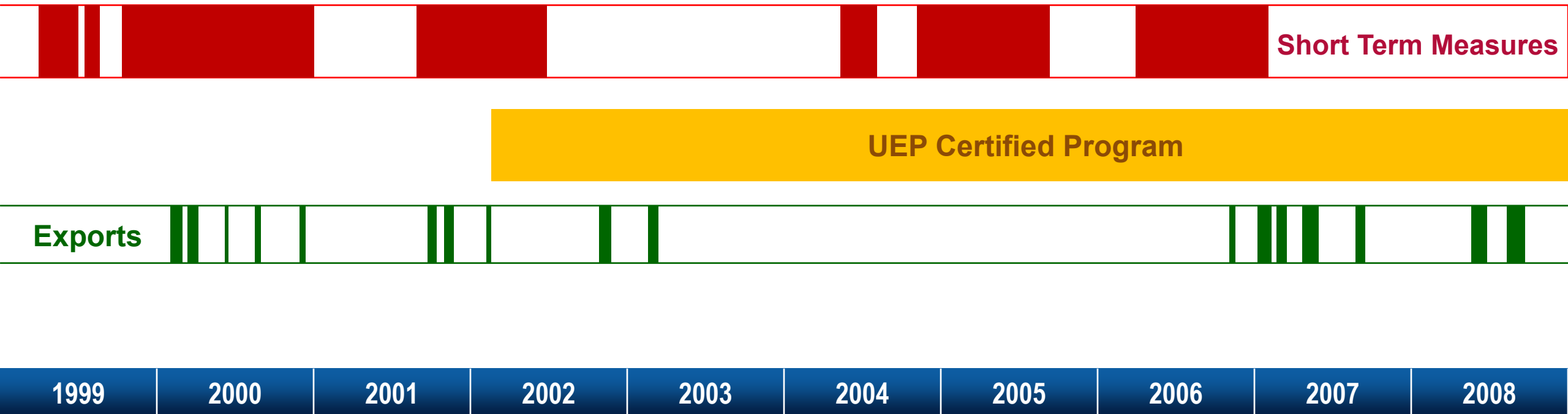


1990-2002, based on record evidence about the egg industry and UEP Certified Program

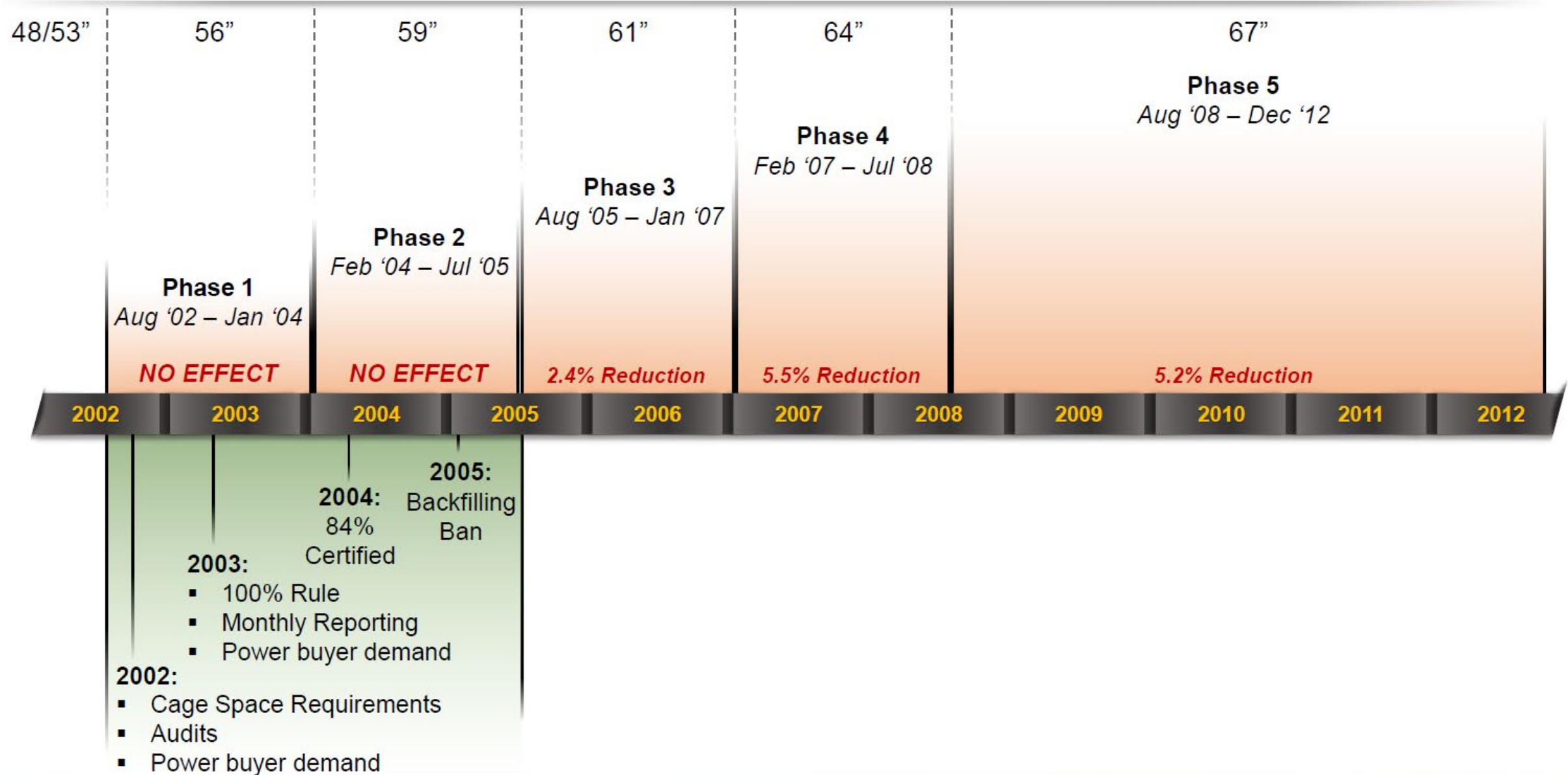


No opinion

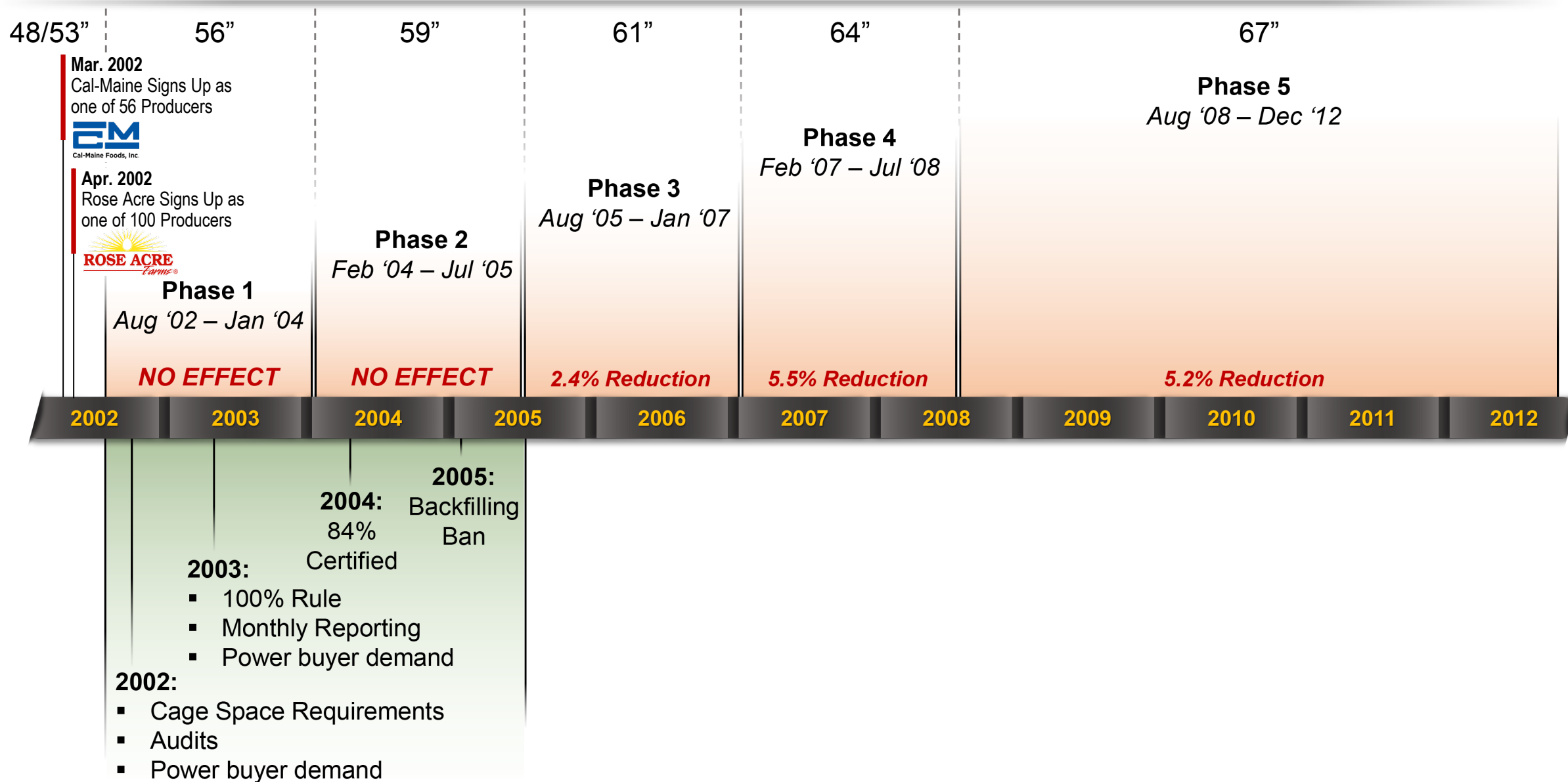
# Timeline of Supply Restrictions



# Dr. Baye's Egg Production Model Results



# Dr. Baye's Egg Production Model Results





# Summary Of Opinions

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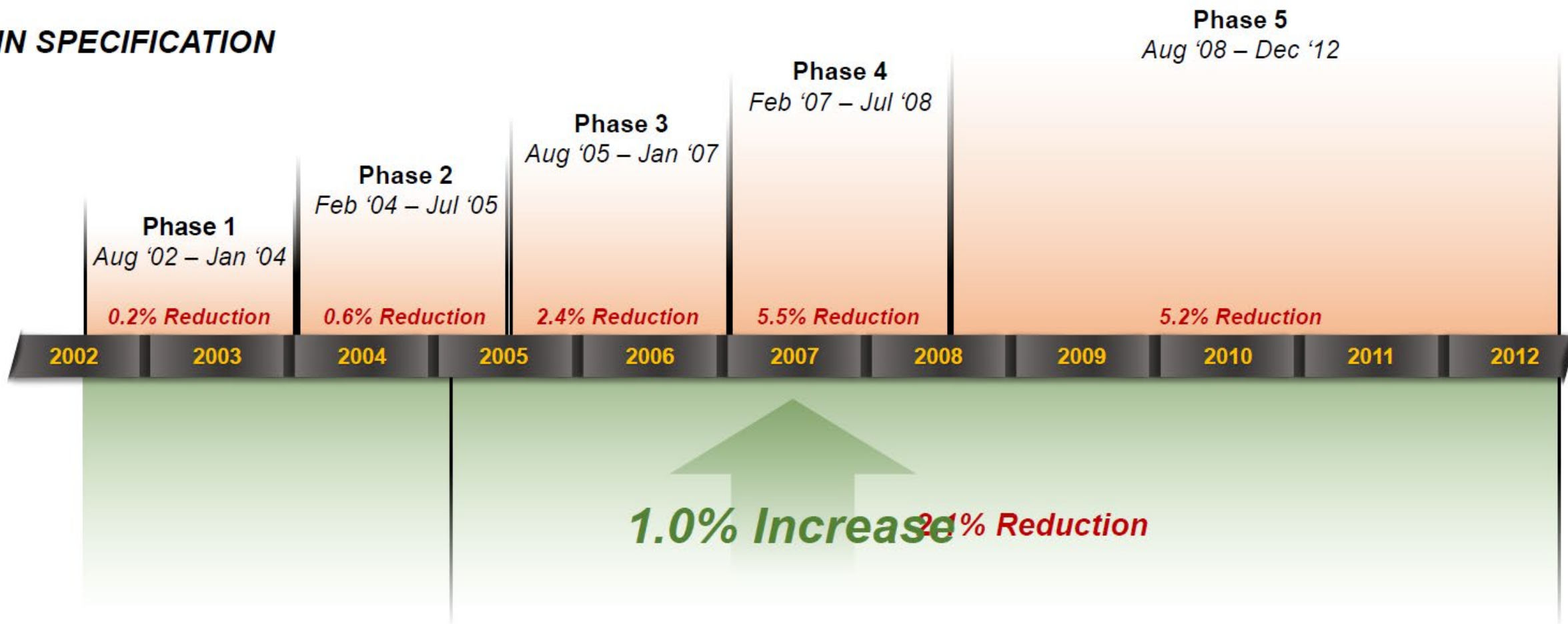
# Fragmented Industry



**66 Producers**  
have 1 million hens or more  
in 2004

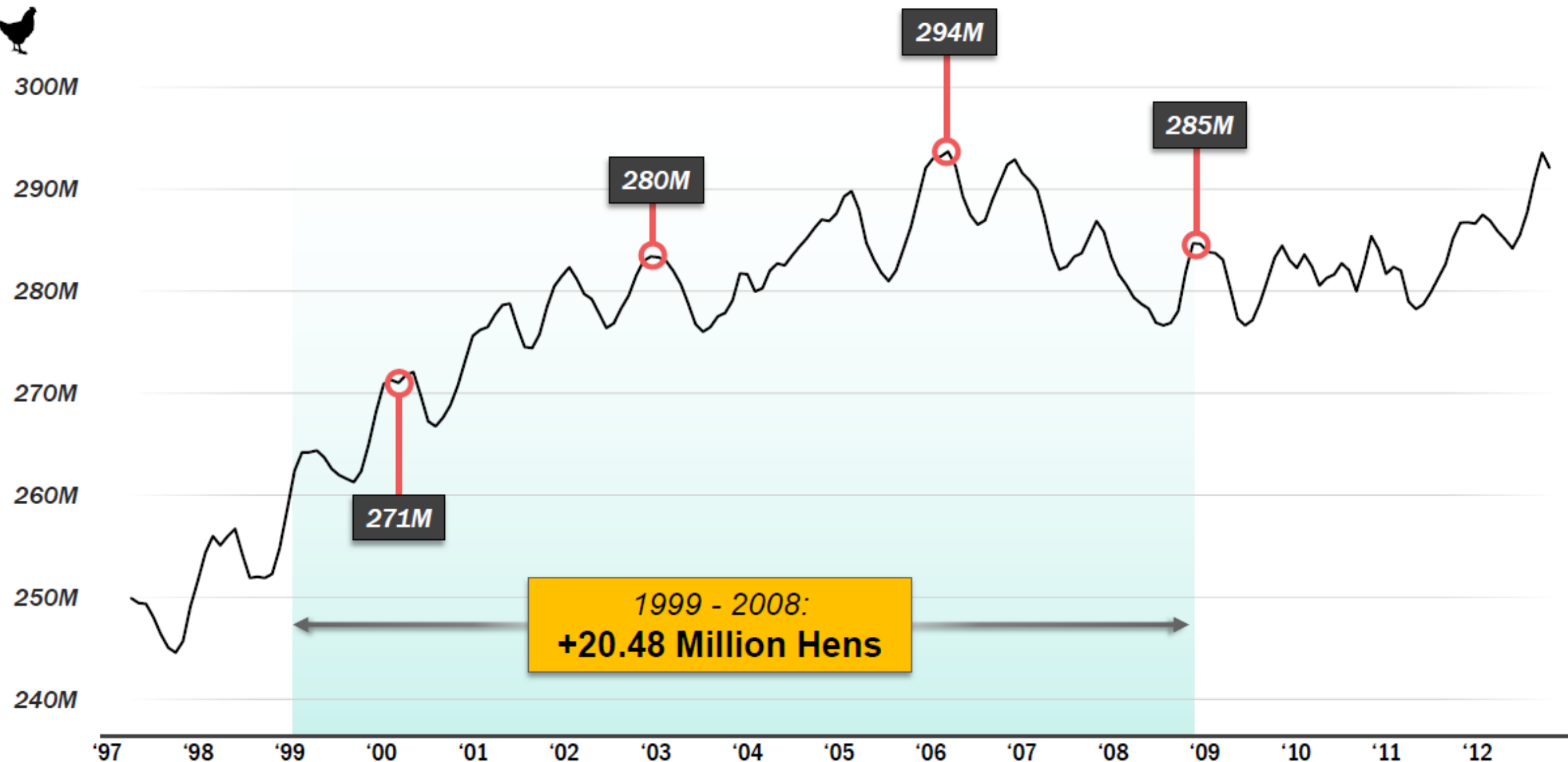
# Dr. Baye's Egg Production Model Results

## MAIN SPECIFICATION



## SINGLE INDICATOR FOR ENTIRE PERIOD

# Flock Size Increased



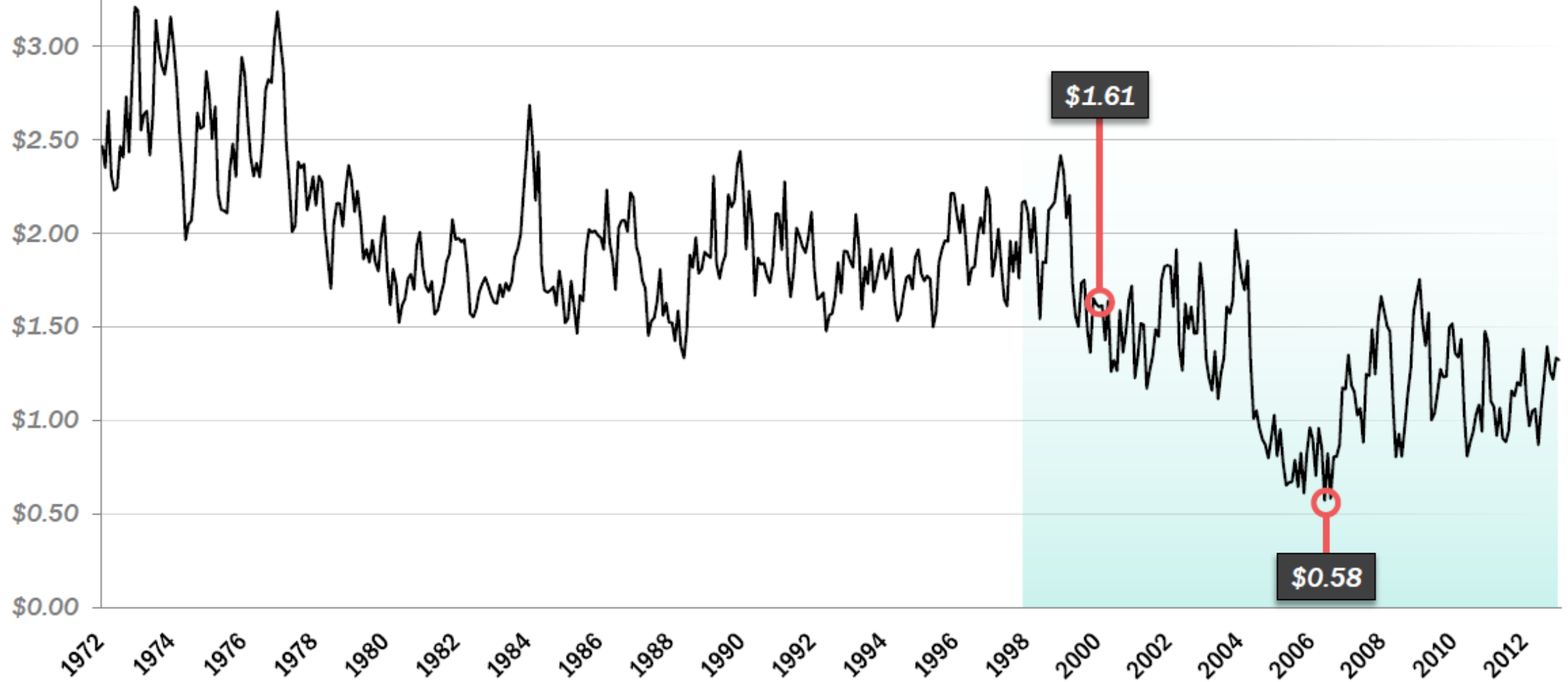


# Inflation-Adjusted Prices Were Low



Price Per Dozen

**Wholesale Grade A Large Shell Egg Prices**  
(Average Per Month – Adjusted for Inflation)



# Inflation-Adjusted Prices Were Low



Price Per Dozen

## Wholesale Grade A Large Shell Egg Prices (Average Per Month – Adjusted for Inflation)

